

Alaska Cigarette and Tobacco Products Monthly Tax Return

Instructions

General Instructions

Use Form 0405-522 to report your monthly cigarette and tobacco products activity and remit the Alaska cigarette and tobacco products excise tax to the Alaska Department of Revenue, Tax Division. A return must be filed even if no cigarettes or tobacco products have been manufactured, imported, acquired or sold during the month covered by the return. All schedules that pertain to your business must be completed and all required attachments must accompany the return to constitute a complete filing.

A single return may be filed for a cigarette business conducted in several locations, with several licenses, even if the business holds licenses within more than one cigarette business category. For example, a taxpayer holding two distributor's licenses and three direct-buying retailer's licenses may file one return. If a single return is filed for more than one license, you must include all license numbers in the "License Number(s)" box on all pages of the return.

Payment

The Tax Division accepts electronic payment (Tax Online Payment System-TOPS or wire transfer) or check. If your total tax payment exceeds \$100,000 you must use electronic payment.

If using electronic payment (see TOPS and wire transfer information below), remember to mail your return to the Tax Division in Juneau.

If paying by check, make the check payable to the State of Alaska and mail with the appropriate return to:

Alaska Department of Revenue
Tax Division
PO Box 110420
Juneau AK 99811-0420
Phone 907.465.2321
Fax 907.465.2375

Due Date

The return is due by the end of the month following the month in which cigarettes and tobacco products were imported, acquired, or sold or cigarette tax stamps were purchased. Tax returns filed without a signature and all required schedules and attachments will be deemed to be incomplete and, therefore, not filed.

Interest

Under Alaska Statute 43.05.225, interest will be assessed on any unpaid or delinquent tax. Interest is compounded quarterly at the applicable rate for each quarter. Refer to www.Tax.Alaska.Gov or contact the Tax Division for applicable rates.

Penalties

Late filing of return. Returns not filed by the due date are subject to a failure to file penalty of 5% of the unpaid tax for each 30 day period or portion of a period the return is late, up to a maximum of 25%.

Late payment of tax. If the full amount of tax is not paid when due, the return is subject to a failure to pay penalty of 5% of the unpaid tax for each 30 day period or portion of a period the payment is late, up to a maximum of 25%. If during any period or portion of a period, both the failure to file and failure to pay penalties are applicable, only the failure to file penalty is imposed.

Failure to obtain a license. If a person manufactures, imports, acquires or sells cigarettes in the state and fails to hold a license as required by AS 43.50.010 or AS 43.50.035, the person is liable for the tax plus a penalty of 100% of the tax.

Misconduct involving unstamped cigarettes or stamps in the first degree. A person commits the crime of misconduct involving unstamped cigarettes or stamps in the first degree if the person sells or distributes 5,000 or more unstamped cigarettes in a single transaction; owns or pos-



sesses 5,000 or more unstamped cigarettes with the intent to sell; acquires, holds, transports, imports, or possesses 10,000 or more unstamped cigarettes; affixes a previously used stamp to a cigarette package; or possesses, sells, or distributes a previously used stamp. Misconduct involving unstamped cigarettes or stamps in the first degree is a class C felony.

Misconduct involving unstamped cigarettes or stamps in the second degree. A person commits the crime of misconduct involving unstamped cigarettes or stamps in the second degree if the person sells or distributes at least one but less than 5,000 unstamped cigarettes in a single transaction; owns or possesses at least one but less than 5,000 unstamped cigarettes with the intent to sell; acquires, holds, transports, imports, or possesses at least 601 but less than 10,000 unstamped cigarettes; or is not licensed or authorized by the Department to possess stamps and possesses a stamp that is not affixed to a cigarette package. Misconduct involving unstamped cigarettes or stamps in the second degree is a class A misdemeanor.

Unauthorized transfer of unaffixed stamps. A licensee may not sell, exchange, or otherwise transfer stamps not affixed to a package of cigarettes to another person without the prior written approval of the Department. The Department may assess a civil fine of not less than \$1,000 nor more than \$10,000 for a violation of this provision.

Cigarette Shipping Restrictions

Generally, it is illegal to ship or receive cigarettes through the mail unless the person shipping the cigarettes holds a current cigarette license issued by the Department of Revenue and the person receiving the cigarettes holds a current tobacco endorsement issued by the Alaska Department of Community and Economic Development or the person receiving the cigarettes provides the shipping company an affidavit stating they are 19 years of age or older and are receiving the cigarettes for personal consumption. In the above cases, the cigarettes must be stamped showing that the cigarette tax has been paid. However, the following entities may receive stamped or unstamped cigarettes through the mail from any source:

- 1) A person who holds a current cigarette license issued by the Alaska Department of Revenue.
- 2) An operator of a customs bonded warehouse

under 19 USC 1311 or 19 USC 1555.

- 3) An instrumentality of the federal government.
- 4) An Indian tribal organization authorized to possess untaxed cigarettes.

Please note: Only the Metlakatla and Klawock Indian Communities are Indian tribal organizations authorized to possess untaxed, unstamped cigarettes. **Individual members of these communities are subject to the excise tax and may not purchase cigarettes through the mail unless they provide the affidavit described above and purchase cigarettes from an entity licensed by the Department of Revenue.**

When shipping cigarettes, the package containing the cigarettes must be clearly marked with the word “cigarettes.”

Penalties, including a \$5,000 civil fine per shipment, may be assessed by the Department of Revenue for violations of the cigarette shipping restrictions.

Specific Instructions

Schedule A - Payment Due for Cigarette Tax Stamps

Line 1. The Alaska cigarette excise tax must be paid through the use of cigarette tax stamps. Cigarette tax stamps are required to be affixed to packages of cigarettes before sale or distribution in the state. Use Form 04-620, Cigarette Tax Stamp Order Form, to purchase cigarette tax stamps. Enter the total dollar amount of cigarette tax stamps you purchased during the month from line 7, column (b) of Schedule E here. This is your cigarette tax liability before the stamp discount and credit for unused, returned and/or destroyed stamps.

Line 2. Licensees may be entitled to a discount on stamp purchases made during the month. Calculate the stamp discount available to you for the purchases you made during the month on Schedule H (Unaffiliated Licensees) or Schedule I (Affiliated Licensees). Complete only Schedule H or I, not both. Enter the discount here. See additional instructions for Schedules H and I within this booklet.

Line 3. Licensees may be entitled to a credit for unused cigarette tax stamps returned to the Department and stamps





affixed to packs of cigarettes that were returned to the manufacturer or destroyed during the month. Calculate the credit available to you on Schedule J. Enter the credit here. See additional instructions for Schedule J within this booklet.

Line 4. Payment for cigarette tax stamps is due at the time the stamps are ordered unless you have been approved to purchase cigarette tax stamps on a deferred payment plan. You may request to pay under a deferred payment plan by posting a bond and completing Form 04-623, Application to Purchase Cigarette Tax Stamps on Deferred Payment Basis. Enter the total dollar amount you paid during the month for the purchase of cigarette tax stamps reported on line 7, column (c) of Schedule E here. If you have been approved for a deferred payment plan and did not make any payments for cigarette tax stamps at the time of purchase, enter zero here.

Line 5. Subtract lines 2, 3, and 4 from line 1. This is the amount of cigarette tax due/(overpaid) with the return. If you have an overpayment, it will first be used to reduce your monthly tobacco products excise tax due with the return as reported on Schedule B. Any remaining amount will be refunded to you.

Schedule B - Tobacco Products Excise Tax Liability and Total Amount Due

Line 6. Enter the wholesale price of tobacco products manufactured, imported, acquired and/or sold during the month from Schedule G here. See additional instructions for completing Schedule G within this booklet.

Line 7. Credit for military sales. You are allowed a credit for tobacco products sold directly to a military exchange, commissary or ship store that are for the sole use of authorized military personnel. Credits claimed for military sales must be reported on Schedule G and substantiated with copies of original invoices.

Line 8. Credit for Indian sales. You are allowed a credit for tobacco products sold directly to an Indian operating a tobacco business within an Indian reservation of which the Indian is a member. **Please note:** Only Metlakatla and Klawock Indian communities are Indian tribal organizations authorized to possess untaxed, unstamped cigarettes. See

Schedule G for further instructions regarding this credit.

Line 9. Other credits. You are allowed a credit for tobacco products returned to the manufacturer or destroyed provided the product is included in line 6 of this return or a previous month's return. See Schedule G for further instructions regarding this credit.

Line 12. You are allowed a commission of .4 percent (.004) to help cover the expense of tobacco products tax collection. You are only entitled to this commission if you file your tax return and pay the tobacco products tax within the time prescribed by law. Multiply line 11 by .4 percent (.004) and enter here.

Line 15. If this is an amended return, enter the amount of cigarette and tobacco products excise tax paid for the month as reported on your original return. Otherwise enter zero.

Line 16. Subtract line 15 from line 14 and enter here. This is the amount of cigarette and tobacco products excise tax due or overpaid with the return. If tax is due, it must be remitted by the due date of the return to avoid a late payment penalty. If tax is overpaid, we will issue a refund.

Schedule C - Alaska Report of Out-of-State Sales of Cigarettes

Effective January 1, 2005, Alaska cigarette licensees may maintain unstamped cigarette inventories in Alaska if their business includes sales to customers outside of Alaska. The licensee may also claim a credit for cigarettes affixed with an Alaska tax stamp if the cigarettes are subsequently sold outside of Alaska. To maintain unstamped cigarette inventories and claim a credit for stamped cigarettes, the licensee must be licensed in the state where the cigarettes are shipped if that state requires a license and the licensee must comply with all applicable federal and state laws and regulations. You must complete a separate Schedule C for each state in which cigarettes are sold. You must also indicate whether you are licensed in the state where the cigarettes are shipped and provide your license number issued by that state.

Column 1. Provide the date the cigarettes were shipped out of Alaska.



Refer to the applicable schedules and forms indicated on this schedule for further instructions.

Schedule D-2 - Cigarette Tax Stamp Inventory (For Tax Stamps Purchased at the Prior Tax Rate of \$.09 per Cigarette)

All licensees must complete Schedule D-2 which is used to report the number of cigarette tax stamps you purchased, affixed to cigarette packages, returned to the Department, and have on hand at the end of the month. Use Schedule D-2 to report your inventory of blue, gray and tan stamps purchased at the old tax rate of \$.09 for PM cigarettes and \$.1025 for NPM cigarettes. Refer to the applicable schedules and forms indicated on this schedule for further instructions. Schedule D-2 will be phased out after all cigarettes imported into the state prior to July 1, 2007 are stamped.

Schedule E - Cigarette Tax Stamp Purchase and Payment Record

Use this schedule to report the amount of cigarette tax stamps purchased and paid for during the month. Do not include payments made under a deferred payment plan in column (c). However, include all purchases made in column (b) regardless of how you paid or will pay for the stamps.

Schedule F - Cigarette Transactions

All invoices covering cigarettes imported, acquired, or sold during the month must be listed on Schedule F and a copy of all invoices must be attached to the return. A separate schedule must be prepared for each of the following types of transactions: cigarette acquisitions or sales; military sales; Indian sales; unstamped cigarettes returned to the manufacturer; and unstamped cigarettes destroyed. The amounts reported for each transaction must be carried to the appropriate line of Schedule C. Do not report the return or destruction of stamped cigarettes on this schedule. Use Schedule J.

Schedule G - Tobacco Products Transactions

All invoices covering tobacco products imported, acquired, or sold during the month must be listed on Schedule G and

Column 2. Provide the method of shipping used. DT (distributor transport) if the cigarettes were transported using a truck, boat, or other form of transportation owned by you. CC (common carrier) if the cigarettes were transported using a common carrier, i.e. US Postal Service, FedEx, UPS, etc. CT (customer transport) if the cigarettes were transported using a truck, boat, or other form of transportation owned by your customer.

Columns 3 and 4. Provide the invoice number and name and address of the customer receiving the cigarettes for each transaction.

Columns 5, 6 and 7. Provide the total number of packs sold in 20 and 25 denominations and the total number of cigarettes for each transaction.

Column 8. Indicate whether you paid the taxes to the state where the cigarettes were shipped.

Column 9. Indicate whether the cigarettes shipped out of state were affixed with an Alaska tax stamp. Use Schedule J to claim the credit on these cigarettes.

Schedule D-1 - Cigarette Tax Stamp Inventory (For Tax Stamps Purchased at the Current Tax Rate of \$.10 per Cigarette)

All licensees must complete Schedule D-1 to report the number of cigarette tax stamps you purchased, affixed to cigarette packages, returned to the department, and have on hand at the end of the month. Use Schedule D-1 to report your inventory of white and brown stamps purchased at the new tax rate of \$.10 per cigarette for PM cigarettes and yellow NPM stamps purchased at the rate of \$.1125 per cigarette. PM cigarettes are cigarettes manufactured by those companies that signed the tobacco master settlement agreement. NPM cigarettes are cigarettes manufactured by companies that did not sign the tobacco master settlement agreement. A list of PM and NPM cigarettes approved for sale in Alaska can be found on the Department's website at: www.tax.state.ak.us/programs/tobacco/reports/CompliantPMBrandListings.pdf.

ATF-F 5200.7 which must be attached to the return.

Schedules H and I - Stamp Discount

Licensees may purchase cigarette tax stamps at a discount. The discount is equal to the sum of the amounts calculated using the following percentages of denominated value of stamps purchased by a licensee under this section in a calendar year:

- 1) \$1,000,000 or less, three percent;
- 2) the amount that is more than \$1,000,000 and not more than \$2,000,000, two percent;
- 3) the amount that is more than \$2,000,000, zero percent.

If you are not affiliated with any other licensee or you are filing a consolidated return that includes all affiliated licensees, you must calculate your discount using Schedule H. If you are affiliated with one or more other licensees and you and one or more of your affiliates file separate returns, you must calculate your discount using Schedule I. "Affiliated licensee" means two or more licensees in which the same person holds, directly or indirectly, at least a 50 percent ownership interest. For example, if you and another business are owned by the same individual or parent company, you must include all Alaska cigarette tax stamp purchases made by you, the other business, and the individual or parent company even if each entity purchases its own stamps and files its own monthly tax return.

Caution: Complete Schedule H or I, but not both, to calculate your discount.

Schedule H - Cigarette Tax Stamp Discount - Unaffiliated Licensees

Line 1. Enter the amount of your total stamp purchases during the month from line 7, column (b) of Schedule E.

Line 2. Calculate the amount of credit you are claiming for the month on unused cigarette tax stamps returned to the Department; stamped cigarettes returned to the manufacturer, destroyed or restamped; and stamped cigarettes sold to customers outside of Alaska on Schedule J and enter it here. See instructions for completing Schedule J.

a copy of all invoices must be attached to the return. A separate schedule must be prepared for each of the following types of transactions: tobacco product acquisitions or sales; military credits; Indian credits; and other credits. The schedules are to be totaled and the totals carried forward to Schedule A of the return. Do not report cigarette transactions on Schedule G. Use Schedule F.

Credits for military sales must be substantiated by copies of original sales invoices that must be attached to this schedule. Invoices must contain a statement signed by an authorized agent of the military exchange, commissary or ship store that reads: "The tobacco products purchased will be sold to and for the sole use of authorized personnel in accordance with military regulations. Any sales to unauthorized personnel will be reported to the Department of Revenue and appropriate tobacco taxes will be paid." No credit for military sales will be allowed where retail sales are made through vending machines.

Credits for Indian sales must be substantiated by copies of original sales invoices that must be attached to this schedule. Invoices must contain a statement signed by the Indian operating the tobacco business that reads: "The tobacco products purchased will be sold to and for the sole use of Indians who are members of the Indian reservation. Any sales to nonmembers will be reported to the Department of Revenue and appropriate tobacco taxes will be paid." No credit for Indian sales will be allowed where retail sales are made through vending machines.

Please note: Only Metlakatla and Klawock Indian communities are Indian tribal organizations authorized to possess untaxed, unstamped cigarettes. Credits claimed for Indian sales are only allowed for sales made to these two tribes.

Other credits claimed for the return or destruction of tobacco products must be substantiated with the following:

- a. Credit claimed for return of unsaleable merchandise must be substantiated by certification from the manufacturer which must be attached to the return.
- b. Credit claimed for merchandise destroyed must be substantiated by certification from the manufacturer or by U.S. Treasury Department Form

Schedule I - Cigarette Tax Stamp Discount - Affiliated Licensees

Line 1. Enter the amount from line 7, column (b) of Schedule E that represents your total stamp purchases for the month covered by this return.

Line 2. Calculate the amount of credit you are claiming for the month on unused cigarette tax stamps returned to the Department and stamped cigarettes returned to the manufacturer or destroyed on Schedule J and enter it here. See instructions for completing Schedule J.

Line 3. Subtract line 2 from line 1 and enter the result here. The stamp discount is only allowed on the net amount of cigarette tax stamps purchased during the month. Therefore, your purchases must be reduced by stamps for which you received a credit.

Line 4. Enter the total amount of cigarette tax stamp purchases net of credits as reported on line 3 of Schedule I for the month covered by this return of all affiliated licensees. Do not include your current stamp purchases in this amount.

Line 5. Add lines 3 and 4 and enter here. This is the total current stamp purchases of the affiliated group of licensees which includes you and all of your affiliates.

Line 6. Enter the total amount of cigarette tax stamp purchases net of credits as reported on line 7 of your prior month's stamp discount worksheet that represent accumulated stamp purchases of the affiliated group of licensees for the year beginning January 1. If this is the first stamp discount worksheet prepared by you and all members of the affiliated group of licensees for the calendar year, enter zero here.

Line 7. Add lines 5 and 6. This is the total calendar year-to-date stamp purchases made by you and all members of the affiliated group of licensees.

Line 8. If the total calendar year stamp purchases of the affiliated group entered on line 6 exceed \$2,000,000, you have

Line 3. Subtract line 2 from line 1 and enter the result here. The stamp discount is only allowed on the net amount of cigarette tax stamps purchased during the month.

Line 4. Enter the total amount of cigarette tax stamp purchases net of credits as reported on line 5 of your prior month's stamp discount worksheet that represent accumulated stamp purchases for the year beginning January 1. If this is the first stamp discount worksheet prepared for the calendar year, enter zero here.

Line 5. Add lines 3 and 4. This is the amount of your cumulative calendar year stamp purchases.

Line 6. If your total calendar year stamp purchases entered on line 4 exceed \$2,000,000, you have already received the maximum discount allowed by statute. Enter zero here and on line 2 of Schedule A.

Line 7. If your total calendar year-to-date stamp purchases entered on line 5 are \$1,000,000 or less, you are entitled to a discount of 3 percent on your current month's purchases. Multiply **line 3** by 3 percent (.03). Enter here and on line 2 of Schedule A.

Line 8. If your total calendar year-to-date stamp purchases entered on line 5 are more than \$1,000,000 and your previous month's stamp purchases entered on line 4 are \$1,000,000 or less, complete lines 8a through 9 to calculate your discount. Enter the discount on line 9 and line 2 of Schedule A.

Line 10. If your total calendar year-to-date stamp purchases entered on line 5 are more than \$1,000,000 and your previous month's stamp purchases are more than \$1,000,000 but less than \$2,000,000, complete lines 10a through 11 to calculate your discount. Enter the discount on line 11 and on line 2 of Schedule A.

Caution: Only the discount calculated on line 6, 7, 9, or 11 is carried to Schedule A. If you have calculated a discount on more than one line, you have calculated your discount incorrectly.

already received the maximum discount allowed by statute. Enter zero here and on line 2 of Schedule A.

Line 9. If the total calendar year-to-date stamp purchases of the affiliated group entered on line 7 are \$1,000,000 or less, you are entitled to a discount of 3 percent on your current month's purchases. Multiply **line 3** by 3 percent (.03) and enter here and on line 2 of Schedule A.

Line 10. If the total calendar year-to-date stamp purchases of the affiliated group entered on line 7 are more than \$1,000,000 and the previous month's stamp purchases of the affiliated group entered on line 6 are \$1,000,000 or less, complete lines 10a through 11 to calculate your discount. Enter the discount on line 11 and on line 2 of Schedule A.

Line 12. If the total calendar year-to-date stamp purchases of the affiliated group entered on line 7 are more than \$1,000,000 and the previous month's stamp purchases of the affiliated group are more than \$1,000,000 but less than \$2,000,000, complete lines 12a through 13 to calculate your discount. Enter the discount on line 13 and on line 2 of Schedule A.

Caution: Only the discount calculated on line 8, 9, 11, or 13 is carried to Schedule A. If you have calculated a discount on more than one line, you have calculated your discount incorrectly.

Schedule J - Cigarette Tax Stamp Credits

Use this schedule to calculate and claim credits on cigarette tax stamps returned to the department and tax stamps affixed to packages of cigarettes that were returned to the manufacturer, destroyed or restamped. Do not report unstamped cigarettes returned to the manufacturer or destroyed for which you may be entitled to a credit. Use Schedule K.

Part I. You may return tax stamps to the Department that have been damaged and/or will not be used by you. Complete Part I to report the number of returned stamps. The Department must receive the stamps before a credit will be issued. Only stamps bearing serial numbers that were issued to you or transferred to you in a department approved transfer are eligible for a credit.

Part II. You are entitled to a credit for cigarette tax stamps purchased by you and affixed to cigarettes that were returned to the manufacturer, destroyed or restamped. You must attach certification from the manufacturer which states the number of cigarettes and cigarette packages bearing the stamps that were returned. You must attach U.S. Treasury Department Form ATF-F3069 or some other form of documentation acceptable to the Department verifying the destruction of the cigarettes. You must attach documentation preapproved by the Department to claim a credit for cigarettes affixed with a tax stamp which were subsequently restamped. A credit will not be given unless the required documentation is attached. You must identify the serial number of the stamps affixed to the packages returned, destroyed or restamped. Only stamps bearing serial numbers that were issued to you or transferred to you in a transfer approved by the Department are eligible for a credit.

Part III. Beginning January 1, 2005, you are entitled to a credit for cigarette tax stamps purchased by you and affixed to cigarettes that were subsequently sold outside of Alaska. You must complete Schedule C for each state in which the cigarettes were sold and identify the serial number of the stamps affixed to the packages before a credit will be allowed. Only stamps bearing serial numbers that were issued to you or transferred to you in a transfer approved by the Department are eligible for a credit.

Need Help?

Where to Send Form 0405-522

Form 0405-522 must be mailed or delivered to:

Alaska Department of Revenue
Tax Division
PO Box 110420
Juneau AK 99811-0420

Questions

If you have questions about this form, please contact the Tax Division at 907.269.6620.